



CALIFORNIA DAIRY REVIEW

Volume 1 Issue 10

Monthly

September 1997

Price Information Lines: (800) 503-3490 within California; (916) 442-MILK outside California
Homepage Address: <http://www.cdffa.ca.gov/marketing>

156 COWS DIE AT KINGS COUNTY DAIRY

On August 20, 1997, a crop protection product was accidentally mixed into feed at a Kings County dairy. The product involved can normally be used in an environmentally safe manner, but is quite toxic to cattle in concentrated form. As a result, 156 cows died.

The incident occurred after the cows were milked. However, as a precaution, all milk was isolated, tested, and discarded. As a precaution, all animals potentially exposed to the contaminated feed were relocated to another dairy site. The milk was tested and found to be negative for any contamination.

Through the cooperative efforts of state and local government agencies, neighbors, friends, trade associations, and the milk handler, the dairy has been able to cope with this tragedy in a safe and expedient manner. Agencies cooperating in this effort included Senator Costa's Office, Kings County Environmental Health, Fire and Sheriff Departments, the Kings County Agricultural Commissioner's Office, the Department of Pesticide Regulation and the Department of Food and Agriculture.

Friends and neighbors have donated at least 106 cows to the dairy. The Kings County Farm Bureau is coordinating donations of livestock. They may be contacted at (209) 584-3557.

MILK PRODUCERS SECURITY TRUST FUND BOARD MEETS TO DISCUSS TRUST FUND COVERAGE

On September 17, the Milk Producers Security Trust Fund Board (Board) will hold its semiannual meeting. In addition to the usual agenda items, such as review of the Fund balance and enforcement issues, this agenda includes a review of Trust Fund coverage issues.

Specific issues to be discussed include: coverage for producers selling milk to a handler without direct contracts; "super" cooperative organizations; and coverage for blended products. The goal of the Department is to ensure the intent of the law is carried out, and that the language of the law does not inadvertently exclude some producers from eligibility for coverage. Departmental staff from the Dairy Marketing and Milk Pooling Branches will discuss these concerns with the Board at this meeting.

The meeting is open to the public, and will be held at the Sacramento Airport Host Hotel, beginning at 10:00 a.m.. For more information, please contact the Dairy Marketing Branch at (916) 654-1456 or e-mail Mary Riley at mriley@cdffa.ca.gov.

IN THIS ISSUE

- Quota, Base and Overbase Pricing2
- Alfalfa Hay Summary3
- Vesicular Stomatitis Update3
- Minimum Class Prices3

HOW QUOTA, BASE AND OVERBASE PRICES ARE DERIVED

This is the third article in our series on California milk pricing.

In this article base and overbase values will be referred to collectively as non-quota. Quota and non-quota will be referred to collectively as pool prices.

All pool prices are set on a fat and solids-not-fat (SNF) basis. Pool prices are the result of pooling the dollars received from all Grade A milk sales to processors according to Class 1, 2, 3, 4a and 4b prices. The Milk Pooling Branch receives monthly reports from all processing plants in the state, detailing how much milk they received and how they used it. How milk was utilized during the month determines how much money is available in the pool. Producers are then paid based on a system of quota and non-quota pool prices.

FAT POOL PRICES

The fat pool price depends on the price of fat for each class of milk and the total amount of fat used in each of the five milk classes. These fat prices can be found on the minimum class price letter released by the Department on the first working day of each month. The fat usage comes from monthly reports submitted to the Milk Pooling Branch by processing plants. The classified fat prices are multiplied by the total pounds of fat for each class. The revenues for all classes are added together for a total fat revenue. The total fat revenue is divided by the total fat production to get a fat price. The procedure is summarized below.

$$\begin{aligned} &(\text{Class 1 Fat pounds} \times \text{Class 1 Fat price}) \\ &+ (\text{Class 2 Fat pounds} \times \text{Class 2 Fat price}) \\ &+ (\text{Class 3 Fat pounds} \times \text{Class 3 Fat price}) \\ &+ (\text{Class 4a Fat pounds} \times \text{Class 4a Fat price}) \\ &+ (\text{Class 4b Fat pounds} \times \text{Class 4b Fat price}) \\ &= \text{Total Fat Revenue} \end{aligned}$$

$$\begin{aligned} &\text{Total Fat Revenue} \div \text{Total Fat Pounds} \\ &= \text{Fat price per pound} \end{aligned}$$

SNF POOL PRICES

Establishing the SNF pool prices uses the same process described for establishing the fat pool prices. However, there are a couple of additional considerations in SNF pricing. First, the Class 1 fluid carrier price is multiplied by the total pounds of fluid product and the resulting number is included in the total SNF revenue pool. Second there is a \$0.195 per pound (\$1.70 divided by 8.7 equals \$0.195) spread between quota and non-quota SNF prices. The Department first multiplies the number of SNF quota pounds held by producers by \$0.195 and the resulting figure is subtracted from the total SNF revenue pool. The SNF revenue remaining in the pool is divided by the total pounds of SNF to get the non-quota

SNF price per pound. Adding \$0.195 to the non-quota SNF price gives the quota SNF price per pound. The procedure is summarized below.

$$\begin{aligned} &(\text{Class 1 SNF pounds} \times \text{Class 1 SNF price}) \\ &+ (\text{Class 2 SNF pounds} \times \text{Class 2 SNF price}) \\ &+ (\text{Class 3 SNF pounds} \times \text{Class 3 SNF price}) \\ &+ (\text{Class 4a SNF pounds} \times \text{Class 4a SNF price}) \\ &+ (\text{Class 4b SNF pounds} \times \text{Class 4b SNF price}) \\ &+ (\text{Fluid Carrier pounds} \times \text{Class 1 Fluid Carrier price}) \\ &= \text{Total SNF Revenue} \end{aligned}$$

$$\begin{aligned} &\text{Total SNF Revenue} - (\text{SNF quota pounds} \times \$0.195) \\ &\div \text{Total SNF pounds} \\ &= \text{Non-Quota SNF price per pound} \end{aligned}$$

$$\begin{aligned} &\text{Non-Quota SNF price} + \$0.195 \\ &= \text{Quota SNF price per pound} \end{aligned}$$

HUNDREDWEIGHT POOL PRICES

The hundredweight prices of quota and non-quota are reported on a test of 3.5% fat and 8.7% SNF. Multiply the fat price by 3.5 and the SNF price by 8.7. These two numbers added together equal the hundredweight price. Remember, there is just one fat price, but two SNF prices (quota and non-quota). The procedure is summarized below.

$$\begin{aligned} &(\text{3.5} \times \text{Fat price}) + (\text{8.7} \times \text{Non-Quota SNF price}) \\ &= \text{Non-Quota price per cwt.} \end{aligned}$$

$$\begin{aligned} &(\text{3.5} \times \text{Fat price}) + (\text{8.7} \times \text{Quota SNF price}) \\ &= \text{Quota price per cwt.} \end{aligned}$$

The actual computations of the pool prices may be modified further by regional quota adjusters (RQAs), plant to plant transportation credits, ranch to plant transportation allowances, and other adjustments. These adjustments are referred to as "Milk Movement Incentives" and will be addressed in a future newsletter.

The Pool Prices are announced on or before the 24th of each month.

If you would like a copy of the Department's document titled "Milk Pricing in California" (DMB-SP-101) which goes into more detail on pricing, please contact the Dairy Marketing Branch at (916) 654-1456 or e-mail Candace Gates at cgates@cdfa.ca.gov.

Stay tuned next month for our fourth article on California Milk Pricing: How Classified Prices Are Used to Generate Revenue.

CALIFORNIA ALFALFA HAY AUGUST SUMMARY

Demand for alfalfa hay was moderate to good throughout the state on light offerings of Premium hay. Most hay supplies were being held for sale at a latter date. The Northern California marketing areas had scattered showers at mid month.

	July 1997	August 1997
Tons Sold 1/	151,625	133,900
Tons Delivered 2/	39,740	66,940

1/ For current or future delivery.

2/ Contracted or current sales.

Shown below are Premium quality alfalfa hay prices per ton, delivered to dairies, as reported by the USDA Market News Service, Moses Lake, WA.

	8/96 1/	8/15/97	8/22/97	8/29/97
Petaluma	\$149	\$150-170	\$155-170	\$155-170
North Valley 2/	\$142	\$145-165	\$147-170	\$150-170
South Valley 3/	\$146	\$150-173	\$155-170	\$150-176
Chino Valley	\$137	\$155-165	\$155-165	\$155-165

1/ August 1996 average of the weekly price quotations.

2/ North Valley is Escalon, Modesto and Turlock areas.

3/ South Valley is Tulare, Visalia, and Hanford areas.

For current pricing information and reports on the FOB market, you may subscribe to the California Alfalfa Hay Weekly Summary. Subscriptions are \$85 per year for a mailed report, and \$130 per year for faxed reports. Subscriptions are available from the USDA-AMS Livestock Market News Service; 988 Juniper Street; Moses Lake, WA 98837; (509) 765-3611. Weekly reports are available on the internet at <http://www.ams.usda.gov/mncs>.

JULY MILK PRODUCTION

California's July milk production on all farms and ranches totaled 2.4 billion pounds, up 9.8 percent from July 1996. Year to date production is up 7.2 percent. USDA's preliminary total United States July milk production estimate is 11.5 billion pounds, up 4.8 percent from July 1996. Year to date U.S. production is up 1.8 percent.

VESICULAR STOMATITIS UPDATE

By Larry Allen, DVM, PhD, Acting Chief
Animal Health Branch, Division of Animal Industry

New cases of vesicular stomatitis (VS) have continued to occur in New Mexico and Colorado. As of August 22, 1997, New Mexico has reported 51 positive cases in a total of 78 investigations, and Colorado has reported 37 positive cases in a total of 84 investigations. All positive cases have involved horses with the exception of one bull on a horse ranch in New Mexico. Arizona has not experienced any more cases of VS since the index case was found there in May. No cases of VS have been diagnosed in California during either the present outbreak or in the 1995 outbreak.

As a result of this outbreak, entry requirements for livestock shipped from VS-infected states or from states bordering infected states, vary considerably and may be subject to change on short notice. Before shipment of any livestock from another state, ask your veterinarian to contact the animal health authorities (State Veterinarian's Office) in the destination state or country to find out the exact requirements for entry.

For additional information, contact the Animal Health Branch of CDFA at (916) 654-1447.

MINIMUM CLASS PRICES

Statewide average hundredweight prices
for the months listed

CLASS	AUG	SEP	OCT/NOV
1	\$12.56	\$12.56	\$14.49
2	\$12.70	\$12.70	
3	\$12.60	\$12.60	
4a	\$11.88		
4b	\$11.84		

AUGUST QUOTA TRANSFER SUMMARY

There were seven quota sales in August, averaging \$295 per pound of SNF (without cows), with an average ratio of 2.46. This compares to a total of 15 quota sales, averaging \$314 per pound of SNF (without cows), with an average ratio of 2.47 for August 1996.

HUNDREDWEIGHT POOL PRICES

YEAR	MONTH	QUOTA	OVERBASE
1995	August	12.65	10.95
	September	12.93	11.23
	October	13.45	11.75
	November	13.62	11.92
	December	13.50	11.80
1996	January	13.49	11.79
	February	13.21	11.51
	March	13.15	11.45
	April	13.29	11.59
	May	13.87	12.17
	June	14.67	12.97
	July	15.10	13.40
	August	16.49	14.79
	September	16.76	15.06
	October	16.57	14.87
	November	14.42	12.72
	December	13.78	12.09
	January	13.94	12.24
	February	13.49	11.79
	March	13.59	11.89
1997	April	13.30	11.60
	May	12.74	11.04
	June	12.64	10.94
	July	12.78	11.08

DAIRY WEB PAGE

The Dairy Marketing and Milk Pooling Branches have formed a team to design and implement a web page that focuses on information relevant to the dairy industry. If there is any information that you would like to see available via the internet, please contact Candace Gates at (916) 654-0905 or e-mail Candace at cgates@cdfa.ca.gov.

Please direct any comments or suggestions for future newsletters to Candace Gates at (916) 654-0905 or e-mail Candace at cgates@cdfa.ca.gov.

The California Dairy Review is published monthly by the California Department of Food and Agriculture, Dairy Marketing Branch. To subscribe call (916) 654-0905.

California Department of Food and Agriculture
Dairy Marketing Branch
1220 N Street, Room A224
Sacramento, CA 95814

First Class
U.S. Postage
PAID
Sacramento, CA
Permit No. 81